

105TH CONGRESS  
1ST SESSION

# S. 1518

To require publicly traded corporations to make specific disclosures in their initial offering statements and quarterly reports regarding the ability of their computer systems to operate after January 1, 2000.

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## IN THE SENATE OF THE UNITED STATES

NOVEMBER 10, 1997

Mr. BENNETT introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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## A BILL

To require publicly traded corporations to make specific disclosures in their initial offering statements and quarterly reports regarding the ability of their computer systems to operate after January 1, 2000.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

### 3   **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Year 2000 Computer  
5   Remediation and Shareholder (CRASH) Protection Act of  
6   1997”.

### 7   **SEC. 2. FINDINGS AND PURPOSES.**

8       (a) FINDINGS.—Congress finds that—

1           (1) most computer systems in the United States  
2           and around the world are not prepared to operate  
3           successfully after January 1, 2000;

4           (2) the failure of computer systems to operate  
5           correctly after January 1, 2000 threatens the inter-  
6           est of consumers and investors, the financial results  
7           of United States corporations, and the continued  
8           soundness of the global economy;

9           (3) corporations have not provided adequate  
10          disclosure on the Year 2000 readiness of their com-  
11          puter systems, the costs of remediation, and their  
12          ability to manage the business risks associated with  
13          possible computer system problems after January 1,  
14          2000;

15          (4) corporations may resist making specific dis-  
16          closures about their management of the “Year 2000  
17          Problem” fearing competitive disadvantage; and

18          (5) disclosure of Year 2000 readiness by pub-  
19          licly traded corporations will promote the free flow  
20          of information on this issue, further the remediation  
21          effort, and help business and government leaders  
22          avert a potential economic downturn.

23          (b) PURPOSES.—The purposes of this Act are to en-  
24          sure that—

1           (1) publicly traded corporations disclose specific  
2           information about the Year 2000 readiness of their  
3           computer systems and their ability to manage the  
4           business risks associated with possible computer sys-  
5           tem problems after January 1, 2000; and

6           (2) the interests of consumers and investors are  
7           adequately protected.

8   **SEC. 3. DISCLOSURES.**

9           (a) INCORPORATED DEFINITIONS.—In this section,  
10          the terms “Commission”, “issuer”, and “security” have  
11          the meanings given those terms in section 3 of the Securi-  
12          ties Exchange Act of 1934 (15 U.S.C. 78c).

13          (b) DISCLOSURES REQUIRED.—Not later than 120  
14          days after the date of enactment of this Act, the Commis-  
15          sion shall amend the regulations promulgated pursuant to  
16          section 13 of the Securities Exchange Act of 1934 (15  
17          U.S.C. 78m) to require each issuer of a security registered  
18          pursuant to section 12 of that Act (15 U.S.C. 78l) to in-  
19          clude, in each initial offering statement and in each quar-  
20          terly report filed with the Commission under section 13  
21          of that Act—

22                 (1) a description of the progress of the issuer  
23                 in completing the 5 recognized phases of Year 2000  
24                 remediation (i.e., awareness, assessment, renovation,  
25                 validation, and implementation), by division, depart-

1       ment, or other appropriate business unit of the is-  
2       suer;

3           (2) a summary of costs incurred by the issuer  
4       in connection with any remediation effort described  
5       in paragraph (1) and an estimate of additional costs  
6       that the issuer expects to incur in connection with  
7       future remediation efforts;

8           (3) an estimate of anticipated litigation costs  
9       and liability outlays associated with the defense of  
10      legal actions against the issuer (or the directors or  
11      officers of the issuer) as a result of Year 2000 com-  
12      puter system problems, including breach of contract,  
13      tort, shareholder class action, and product liability  
14      actions;

15          (4) information relating to the existence of any  
16      insurance policies of the issuer that cover specific  
17      Year 2000 computer system problems, as well as the  
18      defense of legal actions against the issuer (and the  
19      officers and directors of the issuer) in connection  
20      with those problems; and

21          (5) information relating to any contingency  
22      plans developed by the issuer to ensure continued  
23      operation of the essential business functions of the  
24      issuer in the event of a Year 2000 computer system

- 1 problem by the issuer itself or by a vendor, partner,
- 2 or other affiliate of the issuer.

